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April 30, 2024

**Via Electronic Filing**

Rosemary Chiavetta, Secretary  
PA Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265

Re: Philadelphia Gas Works 2024-2025 Gas Cost Rate Filing – Docket No. R-2024-3045966  
Office of Consumer Advocate v. PGW – Docket No. C-2024-3047054  
Office of Small Business Advocate v. PGW – Docket No. C-2024-3046382

Dear Secretary Chiavetta:

Enclosed for electronic filing is the Joint Petition for Full Settlement of All Issues and Statements in Support of Philadelphia Gas Works, Office of Consumer Advocate and Bureau of Investigation and Enforcement with regard to the above-referenced matters. Copies to be served in accordance with the attached Certificate of Service.

Sincerely,



Deanne M. O'Dell

DMO/lww  
Enclosure

cc: Hon. Arlene Ashton w/enc.  
Cert. of Service w/enc.

## CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of the Joint Petition for Full Settlement and Statements in Support upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

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Dated: April 30, 2024



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Deanne M. O'Dell, Esq.

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:		
	:	Docket No.	R-2024-3045966
	:		
	:		
Office of Consumer Advocate	:	Docket No.	C-2024-3047054
Office of Small Business Advocate	:	Docket No.	C-2024-3046382
	:		
v.	:		
	:		
	:		
Philadelphia Gas Works	:		

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**JOINT PETITION  
FOR FULL SETTLEMENT OF ALL ISSUES  
PHILADELPHIA GAS WORKS’  
2024-2025 GCR PROCEEDING**

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Dated April 30, 2024

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## A. INTRODUCTION

Philadelphia Gas Works (“PGW” or the “Company”) and the Office of Consumer Advocate (“OCA”), and the Bureau of Investigation and Enforcement (“I&E”) (collectively “the Settling Parties”)<sup>1</sup> hereby submit this Joint Petition for Full Settlement of All Issues regarding PGW’s 2024-2025 Gas Cost Rate (“GCR”) Proceeding (“Settlement”), as captioned above, and respectfully request the following:

1. That Administrative Law Judge (“ALJ”) Arlene Ashton recommend that the Commission approve this Settlement and all of its terms and conditions without modification;
2. That the ALJ recommends, and the Commission authorizes, PGW to file a tariff supplement to reflect rates and terms consistent with this Settlement and applicable to the Section 1307(f) purchased gas cost rate investigation at Docket No. R-2024-3045966, to be effective for services rendered on or after September 1, 2024, subject to quarterly adjustments permitted by Commission regulations, including a quarterly adjustment to be effective on September 1, 2024, to reflect actual experience and changes in forecasted natural gas prices utilizing the methodology prescribed by Section III of this Settlement;
3. That based on the data and testimony submitted in this case, the ALJ recommend, and the Commission adopt, the Findings of Facts and Conclusions of Law set forth in Appendices A and B; and
4. That the Commission deem the complaints at Docket Nos. C-2024-3047054 and C-2024-3046382 satisfied, and mark the proceedings closed.

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<sup>1</sup> While the Office of Small Business Advocate (“OSBA”) and the Philadelphia Industrial and Commercial Gas Users Group (“PICGUG”) do not join in this Settlement, each has authorized the Settling Parties to state their non-opposition to the Settlement. Neither OSBA nor PICGUG pre-served testimony in this proceeding.

## **B. BACKGROUND**

5. On February 1, 2024, PGW filed its prefiling information required for its 2024-2025 Gas Cost Rate (“GCR”) Filing. PGW indicated that it would submit its annual GCR filing on or before March 1, 2024.
6. On February 13, 2024, OSBA filed a Complaint, Public Statement, and Verification with the Commission. The Complaint was docketed at C-2024-3046382. Also on February 13, 2024, Sharon E. Webb, Esq. entered a Notice of Appearance on behalf of OSBA.
7. On February 15, 2024, PICGUG filed a Petition to Intervene in this proceeding.
8. March 1, 2024, PGW filed its Section 1307(f) filing which included: proposed tariff revisions (Supplement No. 171 to PGW’s Gas Service Tariff – Pa P.U.C. No. 2 and Supplement No. 114 to PGW’s Gas Supplier Tariff – Pa P.U.C. No. 1); supporting information regarding the computation of annual purchased gas costs for twelve months ending August 31, 2024, and the direct testimony of Florian Teme (PGW St. 1) and Ryan E. Reeves (PGW St. 2).
9. On March 1, 2024, OCA filed a Formal Complaint, Public Statement and Verification with the Commission. The Complaint was docketed at C-2024-3047054. Also on March 1, 2024, Christine M. Hoover, Esq. and Melanie El Atieh, Esq. entered a Notice of Appearance on behalf of OCA.
10. The GCR filing was assigned to the Office of Administrative Law Judge and assigned to Administrative Law Judge Arlene Ashton (“ALJ Ashton”).
11. On March 5, 2024, Michael A. Podskoch, Jr. Esq. and Allison C. Kaster, Esq. entered a Notice of Appearance on behalf of I&E.
12. On March 4, 2024, a Prehearing Conference Order was issued informing the participants that a Prehearing Conference was scheduled for March 11, 2024.

13. A Prehearing Conference in this matter was held on March 11, 2024. Counsel for PGW, I&E, OCA, OSBA and PICGUG participated.
14. By Prehearing Order #1 entered March 14, 2024, ALJ Ashton granted PICGUG's Petition to Intervene, established the Stipulating Parties as the active parties of record, adopted a litigation schedule and discovery modifications.
15. On March 22, 2024, PGW filed a Motion for Protective Order which was entered by Order dated April 10, 2024.
16. In accordance with the procedural schedule, I&E filed direct testimony on April 4, 2024 while OCA, OSBA, and PICGUG filed letters stating that they would not be pre-serving direct testimony.
17. On April 18, 2024, the Stipulating Parties notified ALJ Ashton that a full settlement of all issues with all parties had been reached.
18. The Stipulating Parties plan to file on or before April 30, 2024 a Joint Petition for Settlement and Statements in Support.
19. On April 19, 2024, PGW, I&E and OCA filed letters stating that they would not be pre-serving rebuttal testimony. No party pre-served rebuttal or surrebuttal testimony.
20. On April 26, 2024, a Joint Petition for Admission of Evidence and Motion to Admit Into the Record Without A Hearing by filed by all parties which identified the testimony, supporting evidence and PGW Hearing Exhibit No. 1 that the parties requested be admitted into the record as evidence in this proceeding.
21. This Settlement addresses all issues pertaining to PGW's 2024-2025 annual GCR Filing.

## C. SETTLEMENT

The undersigned Settling Parties support adoption of PGW's GCR for 2024-2025 as filed except that the interest rate calculations for September through December 2023 shall be based on the following:

- a. PGW will apply the prime interest rate of 8.50% to the over/under collections for September through December 2023. The results revisions are described below:
  - i. The initially filed projected E-Factor to be effective September 1, 2024 of \$(0.6671)/Mcf is revised to \$(0.6640)/Mcf.
  - ii. The initially filed projected Gas Cost Rate ("GCR") to be effective September 1, 2024 of \$4.2188/Mcf is revised to \$4.2219/Mcf.
  - iii. The Settling Parties support Commission approval to file tariff supplements to reflect rates and terms consistent with the Settlement to be effective for services rendered on or after September 1, 2024, subject to quarterly adjustments permitted by Commission regulations at 52 Pa. Code § 53.64(i)(5), including a quarterly adjustment to be effective on September 1, 2024, to reflect actual experience and changes in forecasted natural gas prices.
- b. In supporting the agreed-to revision to the interest rate, the parties support Commission approval of the below revised schedules contained in PGW Hearing Exhibit 1 in lieu of the versions filed on March 1, 2024, Tab 2:
  - i. Schedule 1 Levelized Gas Cost Rate REV
  - ii. Schedule 1(a) Price to Compare in Mcf REV
  - iii. Schedule 5(a) FY 2024 Interest Calculation
  - iv. Schedule 5(b) FY 2024 Interest on Natural Gas Refunds REV
  - v. Schedule 5(c) FY 2024 Demand and Commodity Interest Calculation REV
  - vi. Schedule 7 Calculation of Recovered Charges REV
  - vii. Schedule 8 Change in Rates REV

## D. CONDITIONS OF SETTLEMENT

22. The Settling Parties agree, based upon evidence of record in this proceeding concerning PGW's projected gas purchases and gas purchasing policies, that PGW's projected gas purchases and projected gas purchasing policies comply with the standards of Section 1318 of the Public Utility Code. Nevertheless, it is expressly understood and agreed that the Settlement is made solely for the purpose of setting prospective rates that shall be subject to the standards of Section 1318 of the Public Utility Code, 66 Pa. C.S. § 1318, and further review in an appropriate future proceeding. The Settlement is not intended in

any way to limit or prevent I&E, OSBA or OCA from reviewing, after such projected gas purchases actually have been made and gas purchasing practices actually have been implemented, whether PGW's gas purchases and gas purchasing practices complied with Section 1318. If, in an appropriate future proceeding, gas purchases and gas purchasing practices from January 1, 2023 through August 31, 2024 were challenged, the Commission's findings based upon Section V of the Settlement shall not bar the examination of such purchases and practices, including, but not limited to, disallowance of, or reductions to, such costs during the eight-month interim period commencing January 1, 2023, and the twelve-month application period commencing September 1, 2024, and ending on August 31, 2025.

23. This Settlement will go into effect upon the Commission's entry of a final order approving the Settlement, in full and without modification. If the Commission rejects the Settlement, the Agreement will automatically terminate and be null and void with the exception of paragraph VI.45. below, which will continue in full force and effect. The Settlement also shall automatically become null and void (except for paragraph VI.45. below) if the Commission, in approving the Settlement, modifies any of its terms or conditions or adds any conditions, unless it is subsequently accepted by the aggrieved signatory party, or parties, as so modified. If the Commission approves the Settlement in full and without modification, the Stipulation:

- (a) shall be deemed to resolve with prejudice all issues addressed by this Settlement; and
- (b) shall be implemented and shall be enforceable notwithstanding the pendency of a petition for reconsideration or a legal challenge to the Commission's approval, unless such implementation and enforcement of the Settlement is stayed or enjoined by the Commission, another regulatory agency, or a Court having competent jurisdiction over the matter.

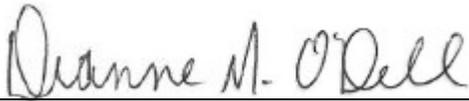
24. This Settlement is made without admission against or prejudice to any factual or legal positions which any of the signatories hereto may assert in subsequent litigation in the event that the Commission does not issue a final Order approving this Settlement in full and without modification. If the Commission does not adopt this Settlement in accordance with the terms set forth herein, the Settling Parties reserve their full right to argue that the Commission is without the legal authority to order the implementation of all or part of the terms and conditions set forth herein and no party shall be deemed to have waived or be estopped from asserting such a position before the Commission or before any court.
25. This Settlement Petition may be executed in counterparts, all of which shall constitute one agreement binding on all signatories, and shall have the same force and effect as an original instrument, notwithstanding that the signatories may not be signatories to the same original or the same counterpart.
26. Statements in Support of this Settlement are attached hereto as Appendices D-F.
27. The Settling Parties agree to waive exceptions to the ALJ's Recommended Decision if the ALJ recommends that the Joint Petition for Settlement of Philadelphia Gas Works' 2024-2025 GCR Proceeding be approved without change or modification.

## E. CONCLUSION

WHEREFORE, the Settling Parties, by their respective counsel, respectfully request as follows:

- That Administrative Law Judge Arlene Ashton and the Commission approve this Settlement including all terms and conditions thereof; and
- That the Commission enter an order consistent with this Settlement, resolving and terminating the 2024-2025 GCR proceeding.

Respectfully submitted,

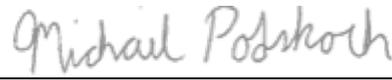


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*For Philadelphia Gas Works*



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*/s/ Melanie El Atieh*

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## **APPENDIX A: PROPOSED FINDINGS OF FACT**

### **Evidence**

1. PGW's rate design and GCR calculation methodology are described by Florian Teme, Vice President, Marketing, Sales and Energy Planning of Philadelphia Gas Works in PGW Direct Testimony St. No. 1 filed on March 1, 2024 with PGW's Annual GCR filing.
2. PGW's gas purchasing policies and strategies applicable to Fiscal Year 2025 and those utilized in Fiscal Year 2024 as well as PGW's price analysis and buying advisory service are described by Ryan E. Reeve, Director of Gas Supply, Transportation and Control of PGW in PGW Direct Testimony St. No. 2 filed on March 1, 2024 with PGW's Annual GCR filing.
3. PGW's calculation of interest rates applied for over/under collections which are included in its "E-factor" is addressed by Zachari Walker, Fixed Utility Financial Analysis for I&E in the Direct Testimony marked as I&E Statement No. 1 pre-served on April 4, 2024.
4. PGW's Pre-Filing and Annual Filings made on February 1, 2024 and March 1, 2024 contain all the supporting schedules and documentation to support its proposed GCR and as required by Commission regulations.
5. PGW Hearing Exhibit No. 1 which is contained in the Joint Petition for Admission of Evidence and Motion to Admit Into the Record Without A Hearing filed on April 26, 2024 contains Revised Schedules in support of the parties' Joint Petition for Settlement.

### **PGW's GCR Calculation**

6. The GCR is a mechanism used to flow through the costs of natural gas and other raw materials in a timely and equitable manner with the specific elements of PGW's GCR set forth in its Gas Services Tariff. (PGW St. 1 at 8). The pricing methodology utilized by the Company is consistent with that used in the recent quarterly filings with the inclusion of the additional months in the 20-month forecast. Specifically, the company utilized actual prices for January 2024 and the NYMEX Futures close data (as of January 18, 2024) for the 19 forecast months of February 2024 through August 2025. (PGW St. No. 1 at 10).

7. PGW's gas distribution system is located in Southeastern Pennsylvania in the County and City of Philadelphia. Since this is not a gas-producing area, PGW and its natural gas customers are dependent upon the interstate gas pipeline system to deliver natural gas into the PGW gas distribution system. PGW relies on the interstate pipeline for all natural gas supply, storage, and transportation services, except for PGW's own on-system peak shaving facilities. PGW owns and operates two liquefied natural gas ("LNG") facilities that are used primarily both to meet intraday, daily and seasonal supply needs as well as to meet peak day requirements. In addition, PGW uses off-system natural gas storage services to meet winter peak requirements. (PGW St. No. 2 at 2).
8. Enbridge's Texas Eastern Transmission ("TETCO") and Williams' Transco Gas Pipeline ("Transco") are the two interstate natural gas pipelines that deliver gas to PGW's city gates and they are the only interstate pipeline facilities with physical connections to the PGW service territory. (PGW St. 2 at 2, 4). Thus, all of PGW's supply contracts utilize these pipelines, and the contracts recognize pipeline receipt and delivery rights. The contracts also contain the ability to "lock up" the price for upcoming months or to have the pricing default to an agreed upon market index if there is no market advantage in fixing a price before the month begins. As a result, PGW not only ensures security of supply from the pipelines but also can take advantage of varying basis differentiated pricing in the market. (PGW St. No. 2 at 4).
9. PGW utilizes storages and LNG to meet operational requirements. Bundled storage contracts give PGW the right to both store and deliver gas via bundled pipeline capacity. Unbundled storage contracts provide storage rights for gas which is transported on PGW's firm pipeline transportation capacity. These storages provide off-system storage, and LNG provides on-system storage. While both types of storages are important to fulfill operational requirements, PGW's on-system LNG storage is vital during peak days when customer demand exceeds the amount of gas that can be physically provided through PGW's city gates. (PGW St. No. 4-5).

10. PGW also utilizes prepaid gas arrangements wherein it agrees to purchase gas from a gas supplier for (typically) 25-30 years. PGW does not pay for the entire 30 years of purchases up front but receives a monthly invoice for gas received by PGW. The natural gas is purchased from a gas supplier, through a government authority. The authority issues a tax-free long-term bond and uses the proceeds to “prepay” for the natural gas it will purchase on behalf of various municipal gas utilities, including PGW. The gas supplier sells the natural gas to the authority, which then, in turn, sells it to PGW at a discount, in recognition of the fact that the supplier is able to invest the prepayment at taxable rates. In order to share some of this investment income, the supplier provides PGW with natural gas at significant discounts from a market index price. The size of the discount is determined based on the spread between non-taxable and taxable investments. As noted, the gas is purchased on index, but PGW receives a discount from the current index price due to the investment arbitrage. In FY 2023, PGW saved approximately \$6.4 million per year from nine prepaid deals. In FY 2024, PGW forecasts gas sales to customers will save approximately \$9.2 million. In FY 2025, PGW forecasts that GCR customers will save approximately \$10.1 million from twelve prepaid deals. (PGW St. No. 2 at 6-7).
11. PGW reviews each of its existing contracts on a regular basis to ensure that none of the contracts are adverse to its customers’ interests. Whenever appropriate, PGW initiates renegotiations (if the contract permits) to change the terms. (PGW St. No. 2 at 6).
12. PGW is not affiliated with any pipeline or gas supply entity, nor does it have any contracts for local production. (PGW St. 2 at 5).
13. PGW pursues a least cost procurement policy consistent with its obligation to provide safe, adequate and reliable service to its customers, using a portfolio approach in both contract structure and pricing. The portfolio approach allows PGW to remove some of the volatility in purchasing natural gas supplies for its ratepayers. PGW does this by utilizing a mix of: (1) daily index priced swing contracts, (2) physical forward purchase contracts, (3) storage, and (4) LNG, as appropriate given market conditions, and to the extent PGW is not constrained by its financial condition. (PGW St. 2 at 3-4).
14. In the past, PGW utilized a firm called Planalytics to provide price analysis and energy buying advice. PGW decided to test the efficacy and value of the Planalytics service by comparing it to another available service, Intercontinental Exchange (“ICE”). After

running the programs side by side, PGW has determined that ICE is a better fit for PGW's needs and is a better value for its customers. PGW has not renewed its current contract with Planalytics, and that contract ended on February 28, 2023. Planalytics costs \$125,000 per year, while ICE costs approximately \$50,000 per year. PGW only seeking to recover the costs of ICE which will result in a savings to the GCR compared to Planalytics. (PGW St. No. 2 at 11).

15. To ensure system reliability while seeking to procure gas at the least cost, PGW physically sources the gas in accordance with its firm pipeline paths. The pipelines give PGW firm entitlements on their systems for the sourcing of gas for which PGW pays a demand charge. By sourcing supply in this way, PGW ensures its sole entitlement to this space on the pipeline and cannot be accused of infringement. Transporting gas from different locations also mitigates the impact of potential regional disruptions because not all of the supply enters the pipe at the same location. As a result, if there is a disruption at one location, not all of PGW's supply will be affected. PGW's Gas Planning Department also runs a supply status model during the winter operating season which recognizes normal and design winter conditions and the latest actual balance of gas in all storage facilities. Gas Management utilizes the output of this model to make recommendations or changes in its supply operating strategy to ensure that peak day needs and design winter conditions can be met from that point forward. (PGW St. 2 at 5-6). PGW also uses capacity release and off-system sales when available. The prices for the off-system sales are negotiated and 75% of associated credits and margins are returned to customers through the GCR. (PGW St. 2 at 9). PGW calculates cost of gas used for an off-system sale as the Weighted Average Cost of Flowing Gas on the day in which the off-system sale is made unless PGW: (1) purchases natural gas specifically for resale as an off-system sale; or (2) identifies a specific purchase of natural gas that PGW then determines (prior to the sale) should be sold via an off-system sale for price mitigation purposes, then PGW will utilize that specific cost of that gas (including any associated incremental transmission costs) as the cost of gas to calculate the off system sales margin. The ratepayers and the utility receive benefits from this policy because it creates an incentive to maximize efforts to make off-system sales and capacity release transactions, hereby reducing the overall cost of gas supply and the resulting gas cost rate. (PGW St. 2 at 9-10).

16. The details of PGW's actual gas purchases for the 12 months ending December 31, 2023 are presented in Schedule 1 included with Tab 3, Item 53.64(c)(1) of PGW's March 1, 2024 Annual Filing. The details of PGW's forecast for the period of January 1, 2023 through August 31, 2024 are also presented in Schedules 2, 3 and 4 included with Tab 3 of PGW's March 1, 2024 Annual Filing.
17. Each of the schedules provided in Tab 2 of the Annual Filing which are provided consistent with the filing requirements of Section 53.64(a) for the proposed GCR for the period September 1, 2024 through August 31, 2025, which corresponds to PGW's Fiscal Year ("FY") 2025 are described in detail by PGW Witness Teme. (PGW St. No. 1 at 3-7).
18. The volumetric rates charged to PGW's customers are the distribution charge and the Gas Cost Rate plus the Merchant Function Charge ("MFC") and Gas Procurement Charge ("GPC"). The distribution charge consists of a number of charge. The GCR is the mechanism used to flow through the costs of natural gas costs and other raw materials in a timely and equitable manner. (PGW St. No. 1 at 8)
19. Generally, the cost of gas purchased to serve the requirements of PGW's customers constitutes the largest single item in the delivered price of gas. Recovery of these costs from ratepayers through the GCR provides the flexibility to rapidly reflect current conditions without the time delay inherent in a full-scale base rate alteration. The intent is to achieve an annual balance of the costs incurred for fuel and its pass-through to customers. The costs for pipeline transportation, storage capacity and related fuel prices charged by the interstate pipeline suppliers are largely outside of distributor control. (PGW St. No. 1 at 8-9).
20. Various adjustments are then made to the total applicable expenses eligible for the GCR. Natural gas refunds and interest on the refunds are credited in the calculation of the GCR in the fiscal year received. An adjustment is made to correct for any over or under recovery during the previous period resulting from differences between rates used to project the prior GCR and those actually experienced. The interest expense or credit on the over or under recovery is applied to calculate the total adjustment. An additional adjustment is made for the Interruptible Revenue Credit which is a credit that firm sales customers receive for the interruptible sales margin.

## **Interest Calculation**

21. In his direct testimony, I&E Witness Zachari Walker explained that an “E-factor” is utilized by PGW to identify and true-up the difference between gas costs and billed revenue. A calculation of interest is one of the four elements which comprise the E-factor dollar balanced from prior years. The net dollars after application of the E-factor are either refunded or recovered from ratepayers during the next GCR period. (I&E St. No. 1 at 3).
22. Although, the prime interest rate of 8.50% should be applied to over/under collections for September through December 2023, PGW’s initial filed schedules utilized 7.5% for this period. (I&E St. No. 1 at 5-6).
23. The Settling Parties have agreed with PGW’s revisions to its initially filed schedules to utilize the 8.50% for September through December 2023 as reflected in PGW Hearing Exh. No 1.

## **APPENDIX B - PROPOSED CONCLUSIONS OF LAW**

### **Historical Reconciliation Period Standards**

1. With respect to PGW's gas purchases and gas purchasing practices during the twelve-month historical reconciliation period ended December 31, 2023, it is requested that ALJ Ashton and the Commission find that PGW has met the standards of Section 1318 of the Public Utility Code, 66 Pa. C.S. § 1318, as required by Section 1307(f)(5) of the Public Utility Code, 66 Pa. C.S. § 1307(f)(5), as to all actual purchased gas costs in the historical period. It is requested that the Commission find that, during the twelve months ended December 31, 2023, PGW met the requirements of Section 1318(a) of the Public Utility Code by pursuing a least-cost fuel procurement policy, consistent with its obligation to provide safe, adequate and reliable service to its customers.

### **Interim and Projected Period Findings**

2. With respect to the eight-month interim period beginning on January 1, 2023, and with respect to the projected twelve-month period beginning September 1, 2024, when rates contained in this Settlement will be in effect, it is requested that the Commission find, based upon information presently available and based upon evidence of record in this proceeding concerning PGW's projected purchases and purchasing policies, that the rates to be adopted by the Commission result from PGW's compliance with all of the provisions of Section 1318 of the Public Utility Code.

## **APPENDIX C -Sample Ordering Paragraphs for Recommended Decision**

1. The Joint Petition for Settlement of Philadelphia Gas Works' 2024-2025 GCR Proceeding submitted by the Philadelphia Gas Works, the Bureau of Investigations and Enforcement and the Office of Consumer Advocate is approved.
2. Philadelphia Gas Works is authorized to file a tariff supplements to reflect rates and terms consistent with this order to be effective for services rendered on or after September 1, 2024, subject to quarterly adjustments permitted by Commission regulations at 52 Pa. Code § 53.64(i)(5), including a quarterly adjustment to be effective on September 1, 2024, to reflect actual experience and changes in forecasted natural gas prices.
3. PGW is permitted to continue to retain 25% of capacity release credits (excluding capacity release to firm transportation suppliers), off-system sales margin and asset management margin/credit/fees with the remaining 75% applied as an offset to purchased gas costs.
4. Philadelphia Gas Works is permitted to continue to be authorized to recover in the GCR the annual fee for subscribing to the Planalytics Gas Buying Analysis Service except that PGW shall be authorized to substitute a comparable service, at the same or lower cost, for Planalytics if, in its discretion, another service better meets its need for natural gas purchasing analysis and advice. PGW will report on any such change in its next GCR proceeding.
5. Philadelphia Gas Works is permitted to proceed as follows in its 2024-2025 GCR and subsequent recurring proceedings, unless contested by any party in which case PGW, at its discretion may litigate the issue.
  - Provide written notice to customers by bill insert in the one-month billing cycle commencing on the date of the annual 1307(f) filing, on March 1, of a tariff addendum and tariff or tariff supplement reflecting changes in purchased gas costs and ending no later than thirty (30) days after the filing of such tariff addendum and tariff or tariff supplement, instead of beginning such notice with the one-month billing cycle commencing thirty (30) days prior to the filing of the tariff addendum and tariff or tariff supplement as required by 52 Pa. Code § 53.68(a);
  - In company offices in which payments are accepted, provide public notice on the date of the annual 1307(f) filing, March 1, of a tariff addendum and tariff or tariff supplement reflecting changes in purchased gas costs, instead of thirty (30) days

prior to the filing of such tariff addendum and tariff or tariff supplement as required by 52 Pa. Code §§ 53.68(a) and 53.45(b); and

- Provide estimated data for both January and February in the March 1 quarterly 1307(f) filing instead of providing actual data for January alone as required by 52 Pa. Code § 53.64(i)(5)(i).
6. The Commission terminates its investigation at Docket No. R-2024-3045966, deems the complaints at Docket Nos. C-2024-3047054 and C-2024-3046382 satisfied, and marks the proceedings closed.

**Appendix D to Joint Petition for Settlement**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:		
	:	Docket No.	R-2024-3045966
	:		
	:		
Office of Consumer Advocate	:	Docket No.	C-2024-3047054
Office of Small Business Advocate	:	Docket No.	C-2024-3046382
	:		
	:		
v.	:		
	:		
	:		
Philadelphia Gas Works	:		

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**STATEMENT IN SUPPORT OF JOINT PETITION FOR SETTLEMENT  
OF PHILADELPHIA GAS WORKS’ 2024-2025 GCR PROCEEDING**

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Philadelphia Gas Works (“PGW” or the “Company”) offers this Statement In Support of the Joint Petition for Full Settlement of All Issues (“Settlement”) of its 2024-2025 Gas Cost Rate (“GCR”) Proceeding as filed by PGW, the Bureau of Investigation & Enforcement (“I&E”) and the Office of Consumer Advocate (“OCA”) (“Settling Parties”). The Settlement addresses PGW’s calculation of interest as part of its GCR and is offered as a resolution of all issues in the above-captioned proceeding.

While the Office of Small Business Advocate (“OSBA”) and the Philadelphia Industrial and Commercial Gas Users Group (“PICGUG”) do not join in this Settlement, each has authorized the Settling Parties to state their non-opposition to the Settlement. Neither OSBA nor PICGUG pre-served testimony in this proceeding. PGW respectfully requests that Administrative Law Judge Arlene Ashton (“ALJ”) and the Commission: (1) approve the Settlement without modification as in the public interest; and (2) make the findings as required by Sections 1317 and 1318 of the Public Utility Code.

## **I. BACKGROUND**

The procedural history of this proceeding is set forth in the Settlement and all the facts necessary to approve the Settlement are included in the record of the proceeding through the filing and supporting data, the testimony, and PGW Hearing Exhibit No. 1.

## **II. THE SETTLEMENT SATISFIES PGW'S LEGAL OBLIGATIONS**

Approval of this Settlement will result in PGW pursuing a least cost fuel procurement policy consistent with the Company's obligation to provide safe, adequate, and reliable service. PGW accomplishes this by: (1) using a portfolio approach in contract structure and pricing; and (2) using capacity release credits, off-system sales margins (when available) and asset management margin/credit/fees/ as an additional cost-saving strategy.

The Settlement sets forth a series of proposed findings of fact, conclusions of law and ordering paragraphs. These are required by Section 1318 of the Public Utility Code which states that “[n]o rates for a natural gas distribution utility shall be deemed just and reasonable unless the commission finds that the utility is pursuing a least cost fuel procurement policy, consistent with the utility's obligation to provide safe, adequate and reliable service to its customers,” and that the Commission is required to make “specific findings” in that required, including findings in four specific areas.<sup>1</sup> The findings, conclusions and ordering paragraphs offered in the Settlement highlight the process and information relied upon PGW to calculate its GCR and all the referenced facts are supported by PGW's pre and annual filings, testimony, and PGW Hearing Exhibit No. 1 all of which satisfy the requirements of Section 1318 specifically and the Public Utility Code in general. As such, PGW respectfully requests that they be accepted by the ALJ and the Commission.

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<sup>1</sup> 66 Pa. C.S. §1318(a).

### **III. APPROVAL OF THE SETTLEMENT TERMS IS IN THE PUBLIC INTEREST**

The GCR filing presented by PGW is in full and complete compliance with all statutory and regulatory requirements. Approving PGW's 1307(f) filing as proposed in the Settlement is consistent with the Commission's goal of ensuring the least cost procurement policy and will result in rates and surcharges that are just, reasonable, and compliance with the Public Utility Code. In addition, the Settlement reduces the administrative burden and costs to resolve the issues. For all these reasons, the Settlement is in the public interest and should be adopted.

The only party to raise any issue regarding PGW's proposed calculation of its GCR for the upcoming period of time is I&E. As explained in the testimony of I&E Witness Walker, PGW's used the incorrect interest rate in its initial filings. (I&E St. No. 1 at 5-6). In discovery, PGW provided corrected schedules and information utilizing the prime interest rate of 8.5% for the September through December 2023 period. In the Settlement, the Settling Parties agree that this is the correct rate to apply, identified how the revised calculation modifies the initially filed projected Gas Cost Rate ("GCR") to be effective September 1, 2024 of \$4.2188/Mcf to \$4.2219/Mcf. The Settlement also makes clear the desire of the Settling Parties that the Commission rely on the updated schedules provided in PGW Hearing Exhibit 1 in lieu of the versions filed on March 1, 2024, Tab 2 to correct the interest calculation and GCR rate flowing from that calculation. (Joint Petition for Settlement at Section C).

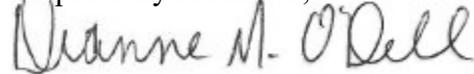
Utilizing the in effect prime interest rate as part of the calculation of the GCR is important to ensure that the correct true-up between gas costs and billed revenue is accurately applied. Since the GCR is a pass through to ratepayers of the actual costs of gas, it is important that the components of the GCR, including true-up mechanisms related to interest, are accurate.

As no other parties provided testimony regarding any other aspect of PGW's GCR calculations and PGW Hearing Exhibit No. 1 provides the revised schedules necessary to implement the agreement reached by the Settlement, PGW's GCR filing, as amended by the Settlement, is reasonable, consistent with its statutory requirements and should be adopted.

#### IV. CONCLUSION

PGW respectfully requests that ALJ Ashton and the Commission approve this Settlement without modification, because it supports PGW's least cost procurement policy, satisfies the Commission's requirements at Sections 1317 and 1318 of the Public Utility Code, and is in the public interest.

Respectfully submitted,



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Dated: April 30, 2024

*For Philadelphia Gas Works*



## **I. INTRODUCTION**

On February 1, 2024, PGW submitted its prefiling information in support of its annual reconciliation of purchased gas costs (“PGC”).

On February 13, 2024, OSBA filed a Formal Complaint and Public Statement. On February 15, 2024, PICGUG filed a Petition to Intervene, which was subsequently granted. On March 1, 2024, OCA filed a Formal Complaint and Public Statement. On March 5, 2024, I&E filed its Notice of Appearance.

On March 1, 2024, PGW made its definitive annual PGC filing in accordance with Section 1307(f) of the Public Utility Code.

A telephonic Prehearing Conference was held on March 11, 2024 before Administrative Law Judge Arlene Ashton (“ALJ”) during which a procedural schedule was established and evidentiary hearings were scheduled on April 30, 2024 – May 1, 2024. The parties filed a Joint Petition for Admission of Evidence and Motion to Admit Into the Record Without A Hearing on April 26, 2024 which identified the testimonies and exhibits that the parties requested be admitted into the record as evidence in this proceeding. I&E submitted the following:

- I&E Statement No. 1 – Direct Testimony of Zachari Walker
- I&E Exhibit No. 1

## **II. LEGAL STANDARD**

I&E is the prosecutory arm of the Commission for purposes of representing the public interest in ratemaking and service matters and enforcing compliance with the

Public Utility Code and Commission regulations and orders.<sup>1</sup> By representing the public interest in rate proceedings before the Commission, I&E works to balance the interests of customers, utilities, and the regulated community as a whole to ensure that a utility's rates are just, reasonable, and nondiscriminatory.<sup>2</sup> In negotiated settlements, it is incumbent upon I&E to identify how amicable resolution of any such proceeding may benefit the public interest and to ensure that the public interest is served.

“The prime determinant in the consideration of a proposed Settlement is whether the settlement is in the public interest.”<sup>3</sup> The Commission has recognized that a settlement “reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest.”<sup>4</sup>

Commission policy encourages settlements because, in the Commission's judgment, the results achieved from a negotiated settlement are often preferable to those achieved at the conclusion of a fully litigated proceeding.<sup>5</sup>

### **III. THE SETTLEMENT IS IN THE PUBLIC INTEREST**

The parties agree that, except as revised by the Settlement, the proposed rates and other approvals contained in PGW's PGC filing should be approved. Section 1318 of the Public Utility Code provides that “[n]o rates for a natural gas distribution utility shall be deemed just and reasonable unless the commission finds that the utility is pursuing a least

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<sup>1</sup> *Implementation of Act 129 of 2008; Organization of Bureaus and Offices*, Docket No. M-2008-2071852 (Order entered August 11, 2011).

<sup>2</sup> See 66 Pa.C.S. §§ 1301 and 1304.

<sup>3</sup> *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

<sup>4</sup> *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

<sup>5</sup> See 52 Pa. Code §§ 5.231 and 69.401.

cost fuel procurement policy, consistent with the utility's obligation to provide safe, adequate and reliable service to its customers."<sup>6</sup>

I&E represents that the purchased gas costs that PGW incurred during the historic period adhered to a least cost fuel procurement policy. Adhering to a least cost procurement policy benefits ratepayers because least cost gas directly impacts customer gas bills and obligates the Company to provide safe, adequate and reliable service to its customers. The Settlement projects an increase of \$0.3823/Mcf from PGW's current purchased gas cost rate of \$3.8396/Mcf to a rate of \$4.2219/Mcf for service rendered on and after September 1, 2024. While those costs are subject to review in a future PGC proceeding, I&E maintains that the Company's gas purchasing practices have satisfied its least cost procurement obligation and that ratepayers are protected in that PGW gains no unwarranted financial advantages through its projected gas purchases and projected gas purchasing policies.

Additionally, I&E analyzed PGW's E-factor and found that the Company used an incorrect interest rate of 7.50%, as opposed to the correct prime interest rate of 8.50%, for the period of September 2023 through December 2023 in calculating interest on over/under collections.<sup>7</sup> PGW acknowledged that the 7.50% interest rate was applied in error, that the prime interest rate of 8.50% should have been applied to over/under collections for September through December 2023, and provided updated schedules to reflect the revised interest rate.<sup>8</sup> As a result of this revision, the initially filed projected

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<sup>6</sup> 66 Pa.C.S. § 1318.

<sup>7</sup> I&E Statement No. 1, pp. 5-6.

<sup>8</sup> *Id.* at p. 5.

E-factor of \$0.6671/Mcf to be effective September 1, 2024 was revised to \$0.6640/Mcf, and the initially filed projected Gas Cost Rate (“GCR”) of \$4.2188/Mcf to be effective September 1, 2024 was revised to \$4.2219/Mcf. In making this revision, I&E finds that the Company’s E-factor was calculated in accordance with established Commission practices. This review is critical because the proper calculation of the E-factor ensures that rates are adjusted appropriately. I&E is satisfied that the Company’s E-factor calculation is appropriate and accurate.

#### **IV. CONCLUSION**

I&E represents that all issues raised in testimony have been satisfactorily resolved through discovery and discussions with the Company or are incorporated or considered in the resolution proposed in the Settlement. This Settlement exemplifies the benefits to be derived from a negotiated approach to resolving what can appear at first blush to be irreconcilable regulatory differences. The Joint Petitioners have carefully discussed and negotiated all issues raised in this proceeding, and specifically those addressed and resolved in this Settlement. Further line-by-line identification of the ultimate resolution of the disputed issues beyond those presented in the Settlement is not necessary as I&E represents that the Settlement maintains the proper balance of the interests of all parties. I&E is satisfied that no further action is necessary and considers its investigation of this rate filing complete.

**WHEREFORE**, the Commission’s Bureau of Investigation and Enforcement represents that it supports the Joint Petition for Settlement as being in the public interest and respectfully requests that Administrative Law Judge Arlene Ashton recommend, and the

Commission subsequently approve, the foregoing Settlement, including all terms and conditions contained therein.

Respectfully submitted,



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Dated: April 30, 2024

**Appendix F to Joint Petition for Settlement**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:		
	:	Docket No.	R-2024-3045966
	:		
	:		
Office of Consumer Advocate	:	Docket No.	C-2024-3047054
Office of Small Business Advocate	:	Docket No.	C-2024-3046382
	:		
v.	:		
	:		
Philadelphia Gas Works	:		

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**STATEMENT IN SUPPORT OF  
THE OFFICE OF CONSUMER ADVOCATE  
OF THE JOINT PETITION FOR SETTLEMENT  
OF PHILADELPHIA GAS WORKS'  
2024-2025 PURCHASED GAS COST PROCEEDING**

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AND NOW, before the Pennsylvania Public Utility Commission (Commission), the Pennsylvania Office of Consumer Advocate (OCA) offers this Statement In Support of the Joint Petition for Full Settlement of All Issues (Settlement) of Philadelphia Gas Works' (PGW's) 2024-2025 Purchased Gas Cost Rate (PGC) Proceeding, as jointly filed by PGW, the Bureau of Investigations & Enforcement (I&E) and the OCA (together, the Settling Parties). The Settlement addresses PGW's calculation of interest as part of its PGC and is offered as a resolution of all issues in the above-captioned proceeding.

The OCA respectfully requests that Administrative Law Judge (ALJ) Arlene Ashton and the Commission: (1) approve the Settlement without modification as in the public interest; and (2) make the findings as required by Sections 1317 and 1318 of the Public Utility Code.

## **I. BACKGROUND**

The procedural history of this proceeding is set forth in the Settlement and all the facts necessary to approve the Settlement are included in the record of the proceeding through the filing and supporting data, the testimony, and PGW Hearing Exhibit No. 1.

## **II. THE SETTLEMENT SATISFIES PGW'S LEGAL OBLIGATIONS**

The OCA believes that the Commission's approval of the Settlement will result in PGW pursuing a least cost fuel procurement consistent with PGW's obligations under Section 1307(f) of the Public Utility Code. PGW's filing accomplishes this by: (1) using a portfolio approach in contract structure and pricing; and (2) using capacity release credits, off-system sales margins (when available) and asset management margin/credit/fees/ as an additional cost-saving strategy.

The Settlement sets forth a series of proposed findings of fact, conclusions of law and ordering paragraphs. These are required by Section 1318 of the Public Utility Code which states that "[n]o rates for a natural gas distribution utility shall be deemed just and reasonable unless the commission finds that the utility is pursuing a least cost fuel procurement policy, consistent with the utility's obligation to provide safe, adequate and reliable service to its customers," and that the Commission is required to make "specific findings" in that required, including findings in four specific areas.<sup>1</sup> The findings, conclusions and ordering paragraphs offered in the Settlement highlight the process and information relied upon PGW to calculate its PGC and all the referenced facts are supported by PGW's pre- and annual filings, testimony, and PGW Hearing Exhibit No. 1 all of which satisfy the requirements of Section 1318 specifically and the Public Utility Code in general. As such, the OCA respectfully requests that they be accepted by the ALJ and the Commission.

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<sup>1</sup> 66 Pa. C.S. §1318(a).

### **III. APPROVAL OF THE SETTLEMENT TERMS IS IN THE PUBLIC INTEREST**

The OCA believes that the Commission's approval of PGW's 1307(f) filing as proposed in the Settlement is consistent with the Commission's obligation to ensure least cost procurement and will result in rates and surcharges that are just, reasonable, and compliance with the Public Utility Code. In addition, the Settlement reduces the administrative burden and costs to resolve the issues. For all these reasons, the Settlement is in the public interest and should be adopted.

The only party to raise any issue regarding PGW's proposed calculation of its PGC for the 2024-2025 period is I&E. As explained in the testimony of I&E Witness Walker, PGW's used the incorrect interest rate in its initial filings. I&E St. No. 1 at 5-6. In discovery, PGW provided corrected schedules and information utilizing the prime interest rate of 8.5% for the September through December 2023 period. In the Settlement, the Settling Parties agree that this is the correct rate to apply, identified how the revised calculation modifies the initially filed PGC rate to be effective September 1, 2024 of \$4.2188/Mcf to \$4.2219/Mcf. The Settlement also makes clear the desire of the Settling Parties that the Commission rely on the updated schedules provided in PGW Hearing Exhibit 1 in lieu of the versions filed on March 1, 2024, Tab 2 to correct the interest calculation and PGC rate flowing from that calculation. Joint Petition for Settlement at Section C.

The OCA believes that PGW's use of the in-effect prime interest rate as part of the calculation of the PGC is important to ensure that the correct true-up between gas costs and billed revenue is accurately applied. Since the PGC is a pass through to ratepayers of the actual costs of gas, it is important that the components of the PGC, including true-up mechanisms related to interest, are accurate.

As no other parties provided testimony regarding any other aspect of PGW's PGC calculations and PGW Hearing Exhibit No. 1 provides the revised schedules necessary to

implement the agreement reached by the Settlement, PGW's PGC filing, as amended by the Settlement, is reasonable, consistent with its statutory requirements and should be adopted.

#### IV. CONCLUSION

PGW respectfully requests that ALJ Ashton and the Commission approve the Settlement without modification, because it supports PGW's least cost procurement, satisfies the Commission's requirements at Sections 1307(f), 1317, and 1318 of the Public Utility Code, and is in the public interest.

Respectfully submitted,

/s/ Melanie Joy El Atieh  
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DATED: April 30, 2024